



FOR IMMEDIATE RELEASE
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Public Affairs
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FORECLOSURE-RESCUE SCHEMERS INDICTED

PHOENIX - A federal grand jury in Phoenix returned a 19-count indictment yesterday against Kenneth D. Perkins, 51, and Robert Lee Burdiak, 66, both of Gilbert, Ariz. , alleging wire fraud and false statements to the government and to financial institutions.

The indictment alleges that from May 2003 through June 4, 2004, Perkins and Burdiak defrauded the Department of Housing and Urban Development (HUD). During the indictment time frame, HUD had in place a Pre-Foreclosure Sale Program (PFSP) administered by lending institutions. The PFSP allowed homeowners with loans in default to sell their homes and use the sale proceeds to fully satisfy mortgage debts – even if the proceeds were less than the amounts owed.

Under the program, HUD then paid the remaining mortgage balances to the lending institutions upon a submission of claim for FHA insurance. In order to minimize losses to HUD, the PFSP required a homeowner to list the property for sale with a licensed realtor and to market the property for a price at or near its appraised value in an arm's length transaction. The PFSP provided that the "net" amount payable to HUD as a result of the sale, after allowing expenses such as real estate commissions, be at least 82% of the appraised value.

Perkins, operating through Virtual Realty Funding Corporation and Virtual Realty Company, found homeowners in default and arranged for their participation in the PFSP as their realtor. But instead of marketing their properties, he purchased them at a discount of as much as 82% of their appraised value utilizing Burdiak as a straw-buyer. The homes were then sold for a profit, sometimes on the same day. Perkins and Burdiak concealed from the lending institutions, and thus HUD, the fact that the properties had not been marketed by submitting false documents to them. Perkins acquired approximately 20 properties at a discount which resulted in HUD paying an additional sum of a substantial amount to lenders in order to cover the shortfall in the mortgage balances.

A conviction for false statements to a financial institution carries a maximum penalty of 30 years in prison, a \$1,000,000 fine or both; a conviction for wire fraud carries a maximum penalty of 20 years in prison, a \$250,000 fine or both; and a conviction for false statements to the government carries a maximum penalty of five years, a \$250,000 fine or both. An indictment is simply the method by which a person is charged with criminal activity and raises no inference of guilt. An individual is presumed innocent until competent evidence is presented to a jury that establishes guilt beyond a reasonable doubt.

The investigation preceding the indictment was conducted by HUD, Office of Inspector General, Office of Investigation. The prosecution is being handled by Stephen W. Laramore, Assistant U.S. Attorney, District of Arizona, Phoenix.

CASE NUMBER: CR-09-388-PHX-DGC
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